

VZCZCXRO3342

RR RUEHAG RUEHAST RUEHDA RUEHDBU RUEHDF RUEHFL RUEHIK RUEHKW RUEHLA
RUEHLN RUEHLZ RUEHPOD RUEHROV RUEHSR RUEHVK RUEHYG
DE RUEHSQ #0615/01 2071559
ZNR UUUUU ZZH
R 261559Z JUL 07 ZDK
FM AMEMBASSY SKOPJE
TO RUEHC/SECSTATE WASHDC 6336
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE 0001
RUEHBS/USEU BRUSSELS
RUEKDIA/DIA WASHINGTON DC
RUEHNO/USMISSION USNATO 3696
RUESEN/SKOPJE BETA
RUEAIIA/CIA WASHINGTON DC
RUEAWJA/DEPT OF JUSTICE WASHDC

UNCLAS SECTION 01 OF 02 SKOPJE 000615

SIPDIS

SENSITIVE
SIPDIS

STATE FOR EUR/SCE, DOJ/OPDAT FOR CARL ALEXANDRE

E.O. 12958: N/A

TAGS: [PGOV](#) [KCRM](#) [KJUS](#) [KCOR](#) [MK](#)

SUBJECT: MACEDONIA: COURT NETS "BIG FISH" CORRUPTION CASE

REF: A. 06 SKOPJE 1144

[1](#)B. SKOPJE 492

SUMMARY

[1](#)1. (SBU) The July 18 conviction and sentencing to four years in prison for former Export Import Bank director Metodija Smilenski demonstrates that the Macedonian judicial system is capable of swift, efficient, and non-partisan action. One of Macedonia's "big fish" corruption case defendants, Smilenski is accused of embezzling over 45 million Euros, bankrupting numerous factories, and destroying thousands of jobs in the process. Smilenski's alleged close connections in the past to VMRO-DPMNE, the senior partner in the coalition government currently in power, lend the conviction greater credibility. With another Smilenski trial on even more serious charges scheduled for August 20, the judicial system will have yet another chance to show it can translate its anti-corruption rhetoric into effective action. End summary.

SWIFT CONVICTION MARKS A HOPEFUL START...

[1](#)2. (SBU) On June 14, after a year-long extradition procedure initiated by the Skopje public prosecutor, the director of the bankrupt Export Import Bank, Metodija Smilenski, returned to Macedonia from Serbia to face trial in several corruption cases (reftels). Known to have had close ties to former PM Ljubco Georgievski (1998-2002) of the VMRO-DPMNE party, currently the senior governing coalition partner, Smilenski is accused of embezzling over 45 million Euros through various fraudulent business schemes dating back to 1993.

[1](#)3. (SBU) Smilenski faces corruption or corruption-related charges in several cases around the country. On July 18, the Sveti Nikole Trial Court handed down his first conviction, on embezzlement charges, and sentenced him to four years in prison. The court found Smilenski guilty of embezzling the property worth more than one million Euros from the local firm "Snitex." The court also found him guilty of forging and destroying the business records of the "Kartontex" factory, and of siphoning off money from the firm to the Export Import Bank. In both instances, the court found, Smilenski's actions bankrupted the companies involved and left some 2,000 employees jobless. In addition to the prison sentence rendered, the court ordered Smilenski to pay restitution for the defrauded proceeds, and advised the

injured parties to file a civil claim against him to collect damages. Both the defense and the prosecution are planning to appeal the sentence before the Stip Appellate Court.

...BUT THE TOUGHEST TRIAL IS YET TO COME

¶4. (SBU) The most serious charges against Smilenski stem from a trial which was scheduled to start at the Skopje Basic Court on July 10. The trial was rescheduled for August 20 due to the alleged poor health of Smilenski's accomplice and co-defendant in the case, former governor of the Macedonian National Bank Ljube Trpeski. In addition, the defense claimed that the service of court writs was illegitimate, and asked the court to change Smilenski's pre-trial detention to home detention due to his advanced age (70).

¶5. (SBU) According to the indictment filed by the Special Organized Crime Prosecutor, Smilenski aided and abetted Trpeski in approving a fraudulent National Bank loan of over 30 million Euros to the Export Import Bank. In a complex accounting scheme involving transfers to Smilenski's various companies in Macedonia and Austria, the entire National Bank loan allegedly ended up in accounts which belong to Smilenski and other unidentified persons. If convicted of the charges, Smilenski and Trpeski could each receive between four and 15 years in prison. However, if Smilenski is found guilty of all charges filed against him in Macedonia, he could receive an aggregate prison sentence not to exceed the maximum of 15 years proscribed for the most severe of the crimes.

COMMENT

¶6. (SBU) The swift conviction in Smilenski's Sveti Nikole
SKOPJE 00000615 002 OF 002

trial marks a positive step in the GOM's anti-corruption efforts, despite local pundits' earlier assurances that the defendant's connections to the current governing party would put him above the law. The postponement of the Smilenski-Trpeski trial, however, and Smilenski's 1.5 million Euro sale of property while in pre-trial extradition detention in January, suggest that Macedonia's "big fish" corruption case defendant still might manage to escape the fullest measure of justice for the crimes he is alleged to have committed. We will continue to monitor the cases, and to urge the courts to guard against political interference in the proceedings.
MILOVANOVIC